Virginia City Highlands Property Owners Assoc.

Level 1 Reserve Study

Report Period - 7/1/2014 to 6/30/2015

Client Reference Number	11129
Property Type	Single Family Homes
Number of Units	1169
Fiscal Year End	6/30

Type of Study	Full Study
Date of Site Visit	8/13/2014
Prepared By	Byron Goetting
NV Permit #	RSS.0000072
Analysis Method	Cash Flow
Funding Goal	Full Funding

Report prepared on – Monday, April 13, 2015

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Information to complete this Full Study was gathered by performing an on-site visit of the common area elements. In addition, we also obtained information by contacting any vendors and/or contractors that have worked on the property recently, as well as communicating with the property representative (BOD Member and/or Community Manager). To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of 7/1/2014	**$210,000**
Ideal Reserve Balance as of 7/1/2014	**$216,594**
Percent Funded as of 7/1/2014	**97%**
Recommended Reserve Contribution (per month)	**$8,075**
Minimum Reserve Contribution (per month)	**$7,550**
Recommended Special Assessment	**$0**

Property Details
Virginia City Highlands Property Owners Assoc. is a 1169-unit Single Family Homes community. Construction on the community was completed in 1972.

Currently Programmed Projects
Projects programmed to occur this fiscal year (FY 2015) include: Roadwork - Maintenance (Comp #402), Roadwork - Rebuild (Comp #401) and Culverts/Ditches - Repair (Comp #406). We have programmed an estimated $81,000 in reserve expenditures toward the completion of these projects. (See Pages 16 - 19)

Major Reserve Expenditures
The first major reserve expenditure is programmed to occur in fiscal year 2018. Projects programmed to occur in fiscal year 2018 include: Pick-Up Truck - Replace (2000) (Comp #1901), Culverts/Ditches - Repair (Comp #406), Blades - Replace (Comp #1905) and Utility Sheds - Repaint/Repair (Comp #1990). We have programmed approximately $143,694 in reserve funds or approximately 55% of fiscal year 2018's recommended starting balance towards the completion of these projects. (See Pages 9)

Significant Reserve Projects
The association's significant reserve projects include: Roadwork - Maintenance (Comp #402), Roadwork - Rebuild (Comp #401), Culverts/Ditches - Repair (Comp #406) and Pick-Up Truck - Replace (2000) (Comp #1901). The fiscal significance of these components is approximately 60%, 16%, 4% and 3% respectively. A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives. (See Pages 11)

Reserve Funding
In comparing the projected starting reserve balance of $210,000 versus the ideal reserve balance of $216,594 we find the association's reserve fund to be approximately 97% funded. This indicates a strong reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of $8,075 ($6.91/unit) per month. For comparison purposes, we have also set a minimum reserve contribution of $7,550 ($6.46/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Introduction

Reserve Study Purpose

The purpose of this Reserve Study is to provide the board with a budgeting tool to help ensure that there are adequate reserve funds available to perform future reserve projects. In this respect our estimates of the current and future Fully Funded balances are less significant than the recommended reserve contribution. The board should weigh carefully our recommendations when setting the Reserve Contribution. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

Preparer's Credentials

Prior to joining complex solutions in 2008, Byron Goetting worked as a Financial Analyst for a major Las Vegas hotel and casino. Mr. Goetting holds a Bachelor's degree in Finance as well as a Master's degree in Economics.

- Nevada permit number RSS.0000072
- Personally has prepared over 600 reserve studies
- Has prepared reserve studies for associations ranging in size from single-family home communities, condominium complexes, and large master associations.
- Co-prepared the reserve studies for City Center, Turnberry Towers, Sky Vegas and other Las Vegas high-rise condo towers.
- Active member of the Nevada CAI chapter and it's Community Outreach Committee

Budget Breakdown

Every association conducts their business within a budget. There are typically two main parts to this budget, the Operating budget and the Reserve budget. The operating budget typically includes all expenses that occur on an annual basis as well as general maintenance and repairs. Typical Operating budget line items include management fees, maintenance expenses, utilities, etc. The reserves are primarily made up of capital replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis. Typically, the reserve contribution makes up 15% - 40% of the association's total budget. Therefore, reserves are considered to be a major part of the overall monthly association assessment.

Report Sections

The ***Reserve Analysis*** *Section* contains the evaluation of the association's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

The ***Component Evaluation*** *Section* contains information regarding the physical status and replacement cost of major common area components the association is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

General Information and Frequently Asked Questions

Information and Data Gathered

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at the time of the site visit. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have also been excluded from this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Complex Solutions, Ltd. and should not be construed as a guarantee or assurance of predicting future events.

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly assessment. This report provides the essential information that is needed to guide the Board of Directors in establishing the reserve portion of the total monthly assesment. The reserve fund is critical to the future of the association because it helps ensure that significant reserve projects can be completed on time with quality contractors. In this way deferred maintenance can be avoided as well as the lower property values that typically accompanies it. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property.

After we have a Reserve Study completed, what do we do with it?

Hopefully, you will not look at this report and think it is too cumbersome to comprehend. Our intention is to make this Reserve Study easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (component information) are complete and accurate. If there are any components that the association feels should be added, removed, or altered as well as any other inaccuracies or changes that should be made, please inform us immediately so we may revise the report. In order to ensure the Board understands its role in the completion of this report, all reports are labeled as "DRAFT" until their input has been given and the report has been approved as finalized. **Note to user:** If this report has a "DRAFT" watermark it is not a finalized report and is not to be relied upon or used for budgeting purposes.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The reserve allocation makes up a large portion of the total monthly assessment and this report should help you determine the correct amount of money to go into the reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending projects. This will give you an opportunity to shop around for the best price available.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be professionally reviewed (Level III "no site visit" update study) each year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the results of the Reserve Study. Because of this projected future Fully Funded balances cannot be relied upon (in other words the Fully Funded balance for the current year of a report prepared 3 years earlier cannot be considered accurate or reliable). Therefore, this analysis should be professionally reviewed annually, and a "site visit" reserve study should be conducted at least once every three years

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know if you have enough funds in the reserve account if you don't have the proper information? Some associations look at the Reserve fund and think that $500,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed $750,000. So while $500,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "Operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the GREY areas of "maintenance" items that are often seen in a Reserve Study?

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital" item, it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers, including Complex Solutions, that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What are the GREY areas of major expenses that are not included in a Reserve Study?

Some components may appear to satisfy the requirements of being a reserve component but are still not included in the reserve study. Several Reserve Study providers, including Complex Solutions, limit the component list to physical components of the common area that are owned by the association. Certain elements of an association's common area, such as leased items, or non-physical components such as future reserve studies, financial audits, inspection reports etc. are not included in our reserve studies. In addition we typically do not fund for utility systems, plumbing, or components with an extended useful life. Associations that feel any of these components should be included in our reserve study should notify us with their request. These components will be added to help the association better plan and prepare their own budget and will not necessarily reflect the professional opinions of Complex Solutions.

What happens during the Site Visit?

The Site Visit was conducted of the common areas as reported by client. There may be certain areas that are not located inside the community but still a part of the association's common area. This may include drainage easements or landscaped areas located outside of the community, such as across a street. It is the responsibility of the Association to inform us of all common area locations. From our site visit we identified those common area components that we have determined require reserve funding. Based on information provided by the client, client's vendors, and our assessment of the components we have developed a component list and life and cost estimates.

What is the Financial Analysis?

We project the starting balance by taking the most recent reserve fund balance as stated by the client and add expected reserve contributions to the end of the fiscal year. We then subtract the expenses of any pending projects. We compare this number to the Fully Funded Balance and arrive at the Percent Funded level. Based on that level of funding we then recommend a Funding Plan to help ensure the adequacy of funding in the future

Measures of strength are as follows:

Percent Funded: The percentage of the current reserve fund balance versus the Fully Funded Balance. A "snap-shot" indicator of the general strength of the account at the time of report preparation. Because many variables affect the Fully Funded balance it is more important to maintain the recommended reserve contribution or "cash flow" moving forward rather than striving to attain a certain Fully Funded figure.

0% - 30% Funded is generally considered to be a "weak" financial position. Associations that fall into this category are subject to higher frequencies of special assessments and deferred maintenance, which could lead to lower property values. Furthermore, should components fail sooner than expected our recommendations may not be enough to get the community into a better financial position. In this case additional actions beyond our initial recommendations may be necessary to improve the financial strength of the reserve fund.

31% - 69% Funded is generally considered a "fair" financial position. The majority of associations fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is generally considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an "ideal" financial position. This means that the association theoretically has the exact amount of funds in the reserve account.

100%+ Funded is considered over-funded. This means that the association has more reserve funds than the theoretically ideal amount.

Disclosures:

Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. A site visit conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

The results of this study are based on the independent opinion of the preparer and his experience and research during the course of his career in preparing Reserve Studies. In addition the opinions of experts on certain components have been gathered through research within their industry and with client's actual vendors. There is no implied warrantee or guarantee regarding our life and cost estimates/predictions. There is no implied warrantee or guarantee in any of our work product. Our results and findings will vary from another preparer's results and findings. A Reserve Study is necessarily a work in progress and subsequent Reserve Studies will vary from prior studies.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the site visit. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the site visit. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property. The physical analysis performed during this site visit is not intended to be exhaustive in nature and may include representative sampling.

The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the association.

This Reserve Study assumes that all construction assemblies and components identified herein are built properly and are free from defects in materials and/or workmanship. Defects can lead to reduced useful life and premature failure. It was not the intent of this Reserve Study to inspect for or to identify defects. If defects exist, repairs should be made so that the construction components and assemblies at the community reach their full and expected useful lives.

We have assumed any and all components have been properly built and will reach normal, typical life expectancies. In general a reserve study is not intended to identify or fund for construction defects. We did not and will not look for or identify construction defects during our site visit.

Site Visits: Should a site visit have been performed during the preparation of this reserve study no invasive testing was erformed. The physical analysis performed during the site visit was not intended to be exhaustive in nature and may have included representative sampling.

Update Reserve Studies: Level II Studies: Quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies. **Level III Studies:** In addition to the above we have not visited the property when completing a Level III "No Site Visit" study. Therefore we have not verified the current condition of the common area components.

Insurance: We carry general and professional liability insurance as well as workers' compensation insurance.

Actual or Perceived Conflicts of Interest: Unless otherwise stated there are no potential actual or perceived conflicts of interest that we are aware of.

Inflation and Interest Rates: The after tax interest rate used in the financial analysis may or may not be based on the clients reported after tax interest rate. If it is we have not verified or audited the reported rate. The interest rate may also be based on an amount we believe appropriate given the 30-year horizon of this study and may or may not reflect current or historical inflation rates.

Funding Summary

Beginning Assumptions

# of units	1169
Fiscal Year End	6/30
Budgeted Monthly Reserve Allocation	$0
Projected Starting Reserve Balance	$210,000
Ideal Starting Reserve Balance	$216,594

Economic Assumptions

Current Inflation Rate	3.00%
Reported After-Tax Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	97%

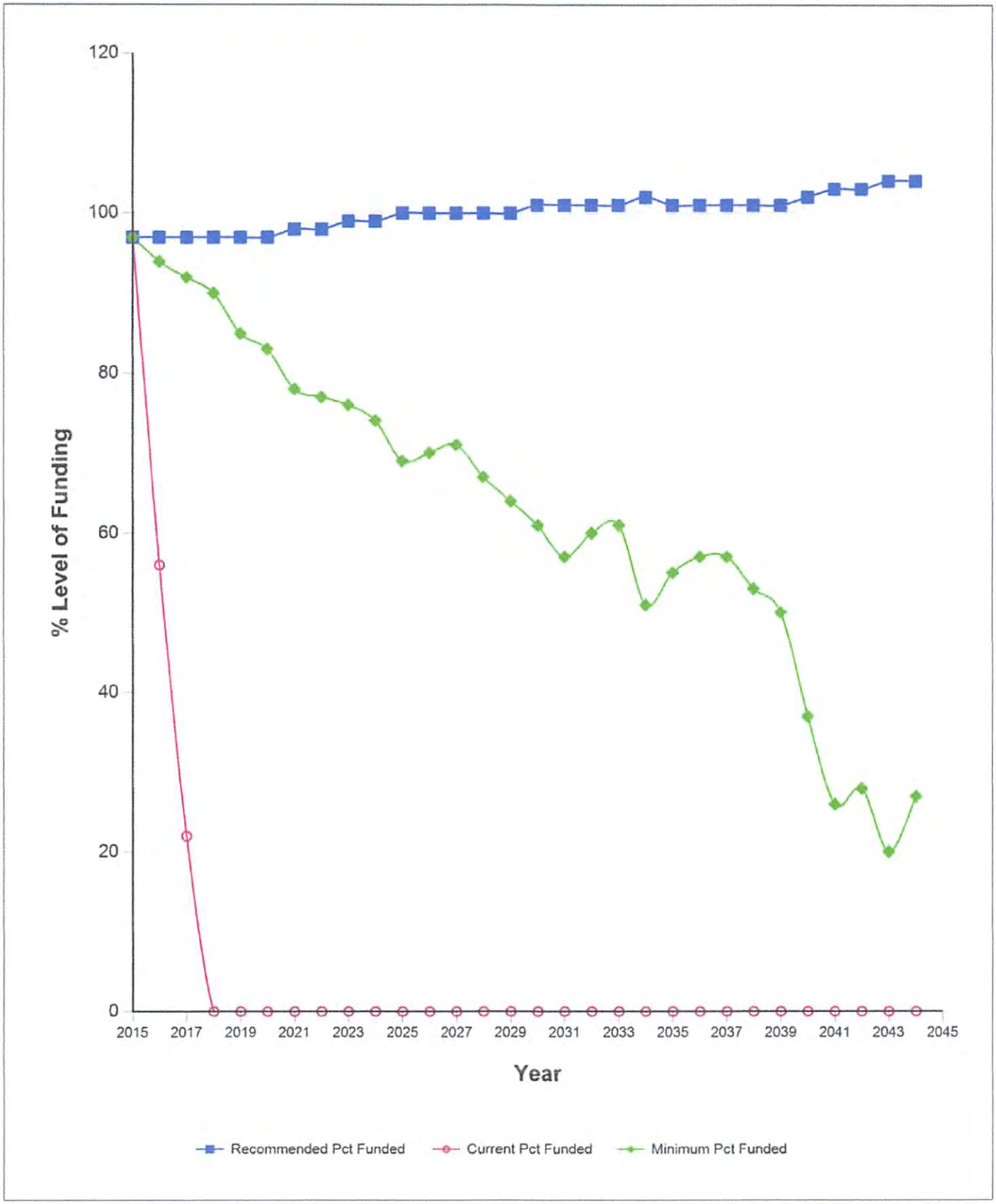
Recommendations

Recommended Special Assessment	$0
Recommended Monthly Reserve Allocation	$8,075
Per Unit	$6.91
Future Annual Increases	3.00%
For number of years:	30
Increases thereafter:	3.00%
Minimum Recommended Monthly Reserve Allocation	$7,550
Per Unit	$6.46
Future Annual Increases	3.00%
For number of years:	30
Increases thereafter:	3.00%

Changes From Prior Year

Recommended Increase to Reserve Allocation	$8,075
as Percentage	0%
Minimum Recommended Increase to Reserve Allocation	$7,550
as Percentage	0%

Percent Funded - Graph



Component Funding Information

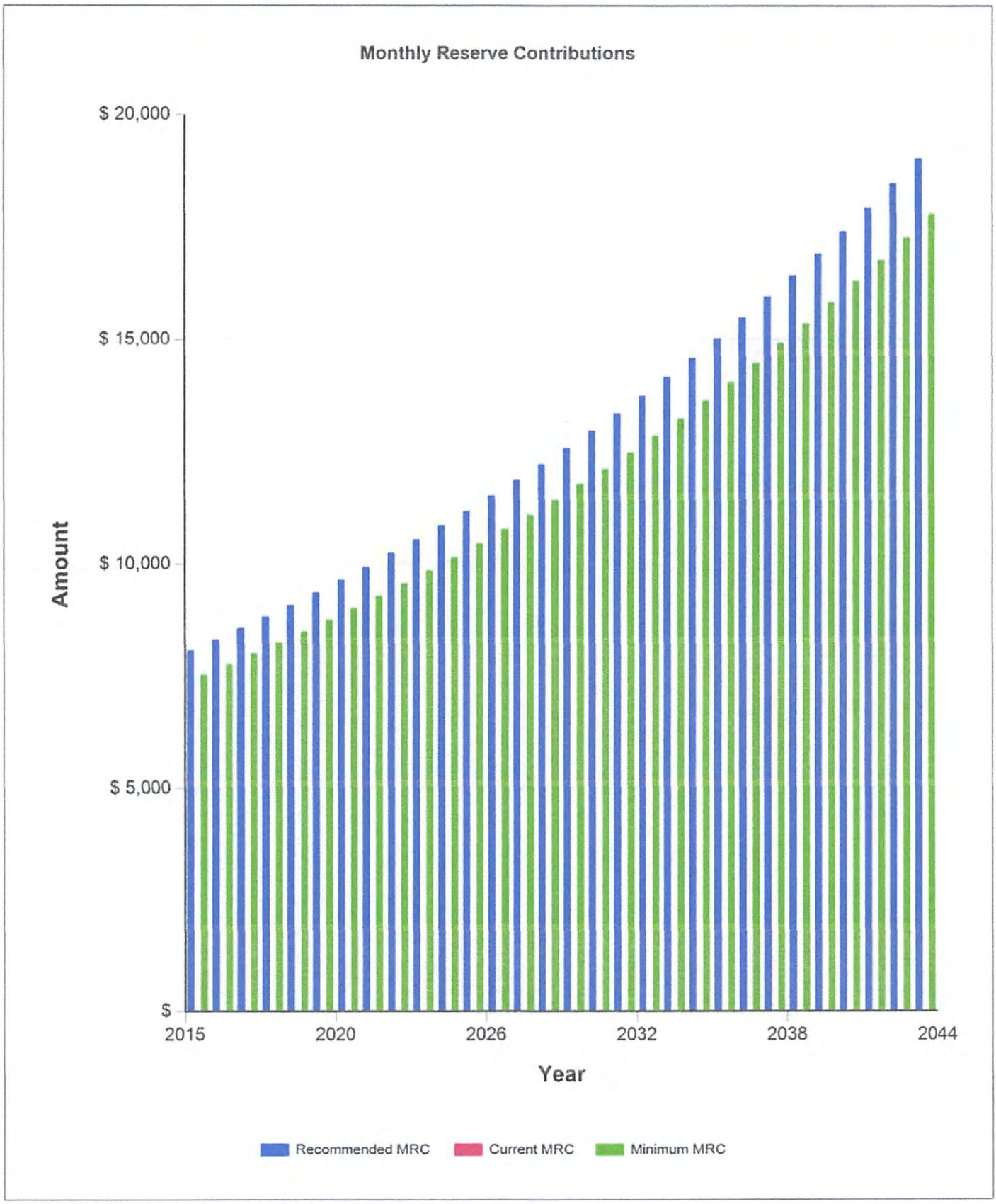
ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
Common Area								
202	Community Structures - Repaint	5	2	(3) Structures	$3,250	$1,950	$1,950	$56.89
401	Roadwork - Rebuild	1	0	Approx 1 mile	$15,000	$15,000	$15,000	$1,312.85
402	Roadwork - Maintenance	1	0	Approx 14 miles	$55,000	$55,000	$55,000	$4,813.78
406	Culverts/Ditches - Repair	3	0	See general notes	$11,000	$11,000	$11,000	$320.92
590	Community Structures - Refurbish	15	7	(3) Structures	$4,500	$2,400	$2,400	$26.26
803	Mailboxes - Replace	18	8	(28) Clusters	$14,300	$7,944	$7,944	$69.53
				Subtotals:	**$103,050**	**$93,294**	**$93,294**	**$6,600**
Utility Area								
1901	Pick-Up Truck - Replace (2000)	10	2	(1) Dodge Pick-up truck	$25,000	$20,000	$20,000	$218.81
1901	Pick-Up Truck - Replace (2000)	10	3	(1) Chevy Pick-up Truck	$25,000	$17,500	$17,500	$218.81
1901	Pick-Up Truck - Replace (2001)	10	4	(1) Dodge Pick-up truck	$25,000	$15,000	$15,000	$218.81
1903	Grader - Replace	20	5	(1) 1979 Grader	$45,000	$33,750	$33,750	$196.93
1904	Water Truck - Replace	20	18	(1) Water Truck	$45,000	$4,500	$0	$196.93
1905	Blades - Replace	12	3	(3) Blades	$21,000	$15,750	$15,750	$153.17
1906	Caterpillar Roller - Replace	15	9	(1) Roller	$30,000	$12,000	$9,906	$175.05
1907	Sander/Salt Spreader - Replace	20	5	(1) Sander/Salt Spreader	$4,000	$3,000	$3,000	$17.50
1990	Utility Sheds - Repaint/Repair	5	3	(2) Sheds	$4,500	$1,800	$1,800	$78.77
				Subtotals:	**$224,500**	**$123,300**	**$116,706**	**$1,475**
				Grand Total:	**$327,550**	**$216,594**	**$210,000**	**$8,075**

Current Fund Balance as a percentage of Ideal Balance: 97%

Yearly Summary

Year	Beginning Fully Funded Balance	Beginning Reserve Balance	Beginning % Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance
2015	$216,594	$210,000	97%	$96,900	$2,190	$81,000	$228,090
2016	$234,691	$228,090	97%	$99,807	$2,431	$72,100	$258,227
2017	$265,349	$258,227	97%	$102,801	$2,587	$104,233	$259,382
2018	$266,765	$259,382	97%	$105,885	$2,416	$143,694	$223,989
2019	$230,604	$223,989	97%	$109,062	$2,261	$106,923	$228,389
2020	$234,347	$228,389	97%	$112,334	$2,166	$137,954	$204,934
2021	$209,450	$204,934	98%	$115,704	$2,154	$96,718	$226,074
2022	$229,583	$226,074	98%	$119,175	$2,389	$95,623	$252,015
2023	$254,853	$252,015	99%	$122,750	$2,583	$112,489	$264,860
2024	$267,015	$264,860	99%	$126,433	$2,568	$144,830	$249,031
2025	$249,841	$249,031	100%	$130,226	$2,683	$94,074	$287,865
2026	$288,151	$287,865	100%	$134,132	$3,079	$96,896	$328,180
2027	$328,535	$328,180	100%	$138,156	$3,208	$155,764	$313,780
2028	$313,442	$313,780	100%	$142,301	$3,133	$146,119	$313,095
2029	$311,896	$313,095	100%	$146,570	$3,160	$143,696	$319,129
2030	$316,986	$319,129	101%	$150,967	$3,166	$158,913	$314,349
2031	$310,867	$314,349	101%	$155,496	$3,375	$112,329	$360,891
2032	$356,988	$360,891	101%	$160,161	$3,822	$121,071	$403,803
2033	$400,062	$403,803	101%	$164,966	$3,769	$222,168	$350,370
2034	$345,012	$350,370	102%	$169,915	$3,757	$122,745	$401,296
2035	$395,568	$401,296	101%	$175,012	$4,275	$126,428	$454,156
2036	$448,848	$454,156	101%	$180,263	$4,711	$150,684	$488,446
2037	$483,891	$488,446	101%	$185,670	$4,851	$196,880	$482,087
2038	$477,707	$482,087	101%	$191,241	$4,817	$196,372	$481,773
2039	$477,323	$481,773	101%	$196,978	$4,441	$276,460	$406,731
2040	$400,063	$406,731	102%	$202,887	$3,854	$249,160	$364,312
2041	$354,400	$364,312	103%	$208,974	$3,796	$181,801	$395,282
2042	$382,716	$395,282	103%	$215,243	$3,878	$233,791	$380,612
2043	$364,480	$380,612	104%	$221,700	$4,081	$170,451	$435,942
2044	$417,269	$435,942	104%	$228,351	$4,698	$164,960	$504,032

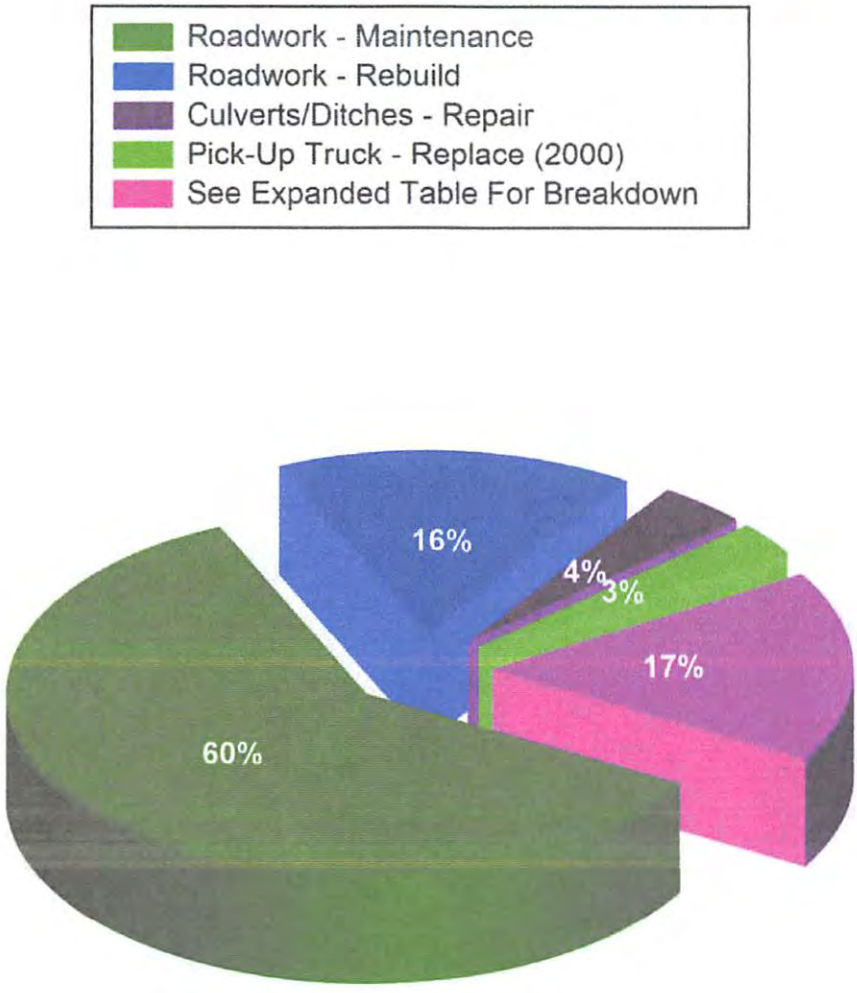
Reserve Contributions - Graph



Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current	Significance: (Curr Cost/UL)	AS %
Common Area						
202	Community Structures - Repaint	5	2	$3,250	$650	0.7000%
401	Roadwork - Rebuild	1	0	$15,000	$15,000	16.2600%
402	Roadwork - Maintenance	1	0	$55,000	$55,000	59.6100%
406	Culverts/Ditches - Repair	3	0	$11,000	$3,667	3.9700%
590	Community Structures - Refurbish	15	7	$4,500	$300	0.3300%
803	Mailboxes - Replace	18	8	$14,300	$794	0.8600%
Utility Area						
1901	Pick-Up Truck - Replace (2000)	10	2	$25,000	$2,500	2.7100%
1901	Pick-Up Truck - Replace (2000)	10	3	$25,000	$2,500	2.7100%
1901	Pick-Up Truck - Replace (2001)	10	4	$25,000	$2,500	2.7100%
1903	Grader - Replace	20	5	$45,000	$2,250	2.4400%
1904	Water Truck - Replace	20	18	$45,000	$2,250	2.4400%
1905	Blades - Replace	12	3	$21,000	$1,750	1.9000%
1906	Caterpillar Roller - Replace	15	9	$30,000	$2,000	2.1700%
1907	Sander/Salt Spreader - Replace	20	5	$4,000	$200	0.2200%
1990	Utility Sheds - Repaint/Repair	5	3	$4,500	$900	0.9800%

Significant Components - Graph



ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	AS %
402	Roadwork - Maintenance	1	0	$55,000	$55,000	60%
401	Roadwork - Rebuild	1	0	$15,000	$15,000	16%
406	Culverts/Ditches - Repair	3	0	$11,000	$3,667	4%
1901	Pick-Up Truck - Replace (2000)	10	3	$25,000	$2,500	3%
All Other	See Expanded Table For Breakdown				$16,094	17%

Yearly Cash Flow

Year	2015	2016	2017	2018	2019
Starting Balance	$210,000	$228,090	$258,227	$259,382	$223,989
Reserve Income	$96,900	$99,807	$102,801	$105,885	$109,062
Interest Earnings	$2,190	$2,431	$2,587	$2,416	$2,261
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$309,090	$330,327	$363,615	$367,683	$335,312
Reserve Expenditures	$81,000	$72,100	$104,233	$143,694	$106,923
Ending Balance	$228,090	$258,227	$259,382	$223,989	$228,389

Year	2020	2021	2022	2023	2024
Starting Balance	$228,389	$204,934	$226,074	$252,015	$264,860
Reserve Income	$112,334	$115,704	$119,175	$122,750	$126,433
Interest Earnings	$2,166	$2,154	$2,389	$2,583	$2,568
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$342,888	$322,792	$347,638	$377,349	$393,860
Reserve Expenditures	$137,954	$96,718	$95,623	$112,489	$144,830
Ending Balance	$204,934	$226,074	$252,015	$264,860	$249,031

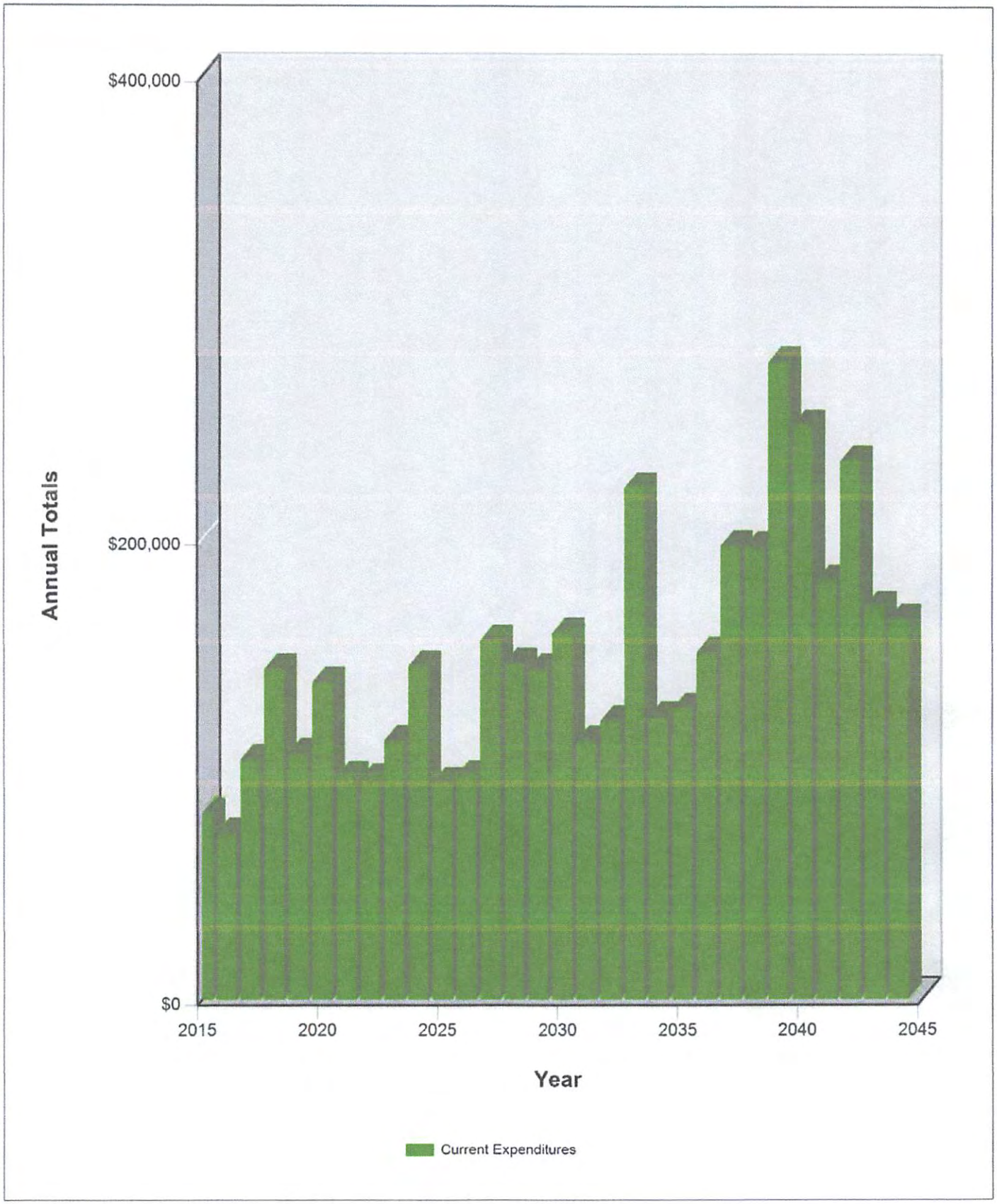
Year	2025	2026	2027	2028	2029
Starting Balance	$249,031	$287,865	$328,180	$313,780	$313,095
Reserve Income	$130,226	$134,132	$138,156	$142,301	$146,570
Interest Earnings	$2,683	$3,079	$3,208	$3,133	$3,160
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$381,940	$425,077	$469,545	$459,214	$462,825
Reserve Expenditures	$94,074	$96,896	$155,764	$146,119	$143,696
Ending Balance	$287,865	$328,180	$313,780	$313,095	$319,129

Year	2030	2031	2032	2033	2034
Starting Balance	$319,129	$314,349	$360,891	$403,803	$350,370
Reserve Income	$150,967	$155,496	$160,161	$164,966	$169,915
Interest Earnings	$3,166	$3,375	$3,822	$3,769	$3,757
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$473,262	$473,220	$524,874	$572,538	$524,042
Reserve Expenditures	$158,913	$112,329	$121,071	$222,168	$122,745
Ending Balance	$314,349	$360,891	$403,803	$350,370	$401,296

Year	2035	2036	2037	2038	2039
Starting Balance	$401,296	$454,156	$488,446	$482,087	$481,773
Reserve Income	$175,012	$180,263	$185,670	$191,241	$196,978
Interest Earnings	$4,275	$4,711	$4,851	$4,817	$4,441
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$580,584	$639,129	$678,967	$678,145	$683,191
Reserve Expenditures	$126,428	$150,684	$196,880	$196,372	$276,460
Ending Balance	$454,156	$488,446	$482,087	$481,773	$406,731

Year	2040	2041	2042	2043	2044
Starting Balance	$406,731	$364,312	$395,282	$380,612	$435,942
Reserve Income	$202,887	$208,974	$215,243	$221,700	$228,351
Interest Earnings	$3,854	$3,796	$3,878	$4,081	$4,698
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$613,472	$577,082	$614,403	$606,393	$668,992
Reserve Expenditures	$249,160	$181,801	$233,791	$170,451	$164,960
Ending Balance	$364,312	$395,282	$380,612	$435,942	$504,032

Yearly Reserve Expenditures - Graph



Projected Reserve Expenditures by Year

Year	Subgroup	Comp. Id	Component Name	Projected Cost	Total Per Annum
2015	Common Area	401	Roadwork - Rebuild	$15,000	
	Common Area	402	Roadwork - Maintenance	$55,000	
	Common Area	406	Culverts/Ditches - Repair	$11,000	$81,000
2016	Common Area	401	Roadwork - Rebuild	$15,450	
	Common Area	402	Roadwork - Maintenance	$56,650	$72,100
2017	Common Area	202	Community Structures - Repaint	$3,448	
	Common Area	401	Roadwork - Rebuild	$15,914	
	Common Area	402	Roadwork - Maintenance	$58,350	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$26,523	$104,233
2018	Common Area	401	Roadwork - Rebuild	$16,391	
	Common Area	402	Roadwork - Maintenance	$60,100	
	Common Area	406	Culverts/Ditches - Repair	$12,020	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$27,318	
	Utility Area	1905	Blades - Replace	$22,947	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$4,917	$143,694
2019	Common Area	401	Roadwork - Rebuild	$16,883	
	Common Area	402	Roadwork - Maintenance	$61,903	
	Utility Area	1901	Pick-Up Truck - Replace (2001)	$28,138	$106,923
2020	Common Area	401	Roadwork - Rebuild	$17,389	
	Common Area	402	Roadwork - Maintenance	$63,760	
	Utility Area	1903	Grader - Replace	$52,167	
	Utility Area	1907	Sander/Salt Spreader - Replace	$4,637	$137,954
2021	Common Area	401	Roadwork - Rebuild	$17,911	
	Common Area	402	Roadwork - Maintenance	$65,673	
	Common Area	406	Culverts/Ditches - Repair	$13,135	$96,718
2022	Common Area	202	Community Structures - Repaint	$3,997	
	Common Area	401	Roadwork - Rebuild	$18,448	
	Common Area	402	Roadwork - Maintenance	$67,643	
	Common Area	590	Community Structures - Refurbish	$5,534	$95,623
2023	Common Area	401	Roadwork - Rebuild	$19,002	
	Common Area	402	Roadwork - Maintenance	$69,672	

Year	Subgroup	Comp. Id	Component Name	Projected Cost	Total Per Annum
2023	Common Area	803	Mailboxes - Replace	$18,115	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$5,700	$112,489
2024	Common Area	401	Roadwork - Rebuild	$19,572	
	Common Area	402	Roadwork - Maintenance	$71,763	
	Common Area	406	Culverts/Ditches - Repair	$14,353	
	Utility Area	1906	Caterpillar Roller - Replace	$39,143	$144,830
2025	Common Area	401	Roadwork - Rebuild	$20,159	
	Common Area	402	Roadwork - Maintenance	$73,915	$94,074
2026	Common Area	401	Roadwork - Rebuild	$20,764	
	Common Area	402	Roadwork - Maintenance	$76,133	$96,896
2027	Common Area	202	Community Structures - Repaint	$4,634	
	Common Area	401	Roadwork - Rebuild	$21,386	
	Common Area	402	Roadwork - Maintenance	$78,417	
	Common Area	406	Culverts/Ditches - Repair	$15,683	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$35,644	$155,764
2028	Common Area	401	Roadwork - Rebuild	$22,028	
	Common Area	402	Roadwork - Maintenance	$80,769	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$36,713	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$6,608	$146,119
2029	Common Area	401	Roadwork - Rebuild	$22,689	
	Common Area	402	Roadwork - Maintenance	$83,192	
	Utility Area	1901	Pick-Up Truck - Replace (2001)	$37,815	$143,696
2030	Common Area	401	Roadwork - Rebuild	$23,370	
	Common Area	402	Roadwork - Maintenance	$85,688	
	Common Area	406	Culverts/Ditches - Repair	$17,138	
	Utility Area	1905	Blades - Replace	$32,717	$158,913
2031	Common Area	401	Roadwork - Rebuild	$24,071	
	Common Area	402	Roadwork - Maintenance	$88,259	$112,329
2032	Common Area	202	Community Structures - Repaint	$5,372	
	Common Area	401	Roadwork - Rebuild	$24,793	
	Common Area	402	Roadwork - Maintenance	$90,907	$121,071
2033	Common Area	401	Roadwork - Rebuild	$25,537	
	Common Area	402	Roadwork - Maintenance	$93,634	

Year	Subgroup	Comp. Id	Component Name	Projected Cost	Total Per Annum
2033	Common Area	406	Culverts/Ditches - Repair	$18,727	
	Utility Area	1904	Water Truck - Replace	$76,609	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$7,661	$222,168
2034	Common Area	401	Roadwork - Rebuild	$26,303	
	Common Area	402	Roadwork - Maintenance	$96,443	$122,745
2035	Common Area	401	Roadwork - Rebuild	$27,092	
	Common Area	402	Roadwork - Maintenance	$99,336	$126,428
2036	Common Area	401	Roadwork - Rebuild	$27,904	
	Common Area	402	Roadwork - Maintenance	$102,316	
	Common Area	406	Culverts/Ditches - Repair	$20,463	$150,684
2037	Common Area	202	Community Structures - Repaint	$6,227	
	Common Area	401	Roadwork - Rebuild	$28,742	
	Common Area	402	Roadwork - Maintenance	$105,386	
	Common Area	590	Community Structures - Refurbish	$8,622	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$47,903	$196,880
2038	Common Area	401	Roadwork - Rebuild	$29,604	
	Common Area	402	Roadwork - Maintenance	$108,547	
	Utility Area	1901	Pick-Up Truck - Replace (2000)	$49,340	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$8,881	$196,372
2039	Common Area	401	Roadwork - Rebuild	$30,492	
	Common Area	402	Roadwork - Maintenance	$111,804	
	Common Area	406	Culverts/Ditches - Repair	$22,361	
	Utility Area	1901	Pick-Up Truck - Replace (2001)	$50,820	
	Utility Area	1906	Caterpillar Roller - Replace	$60,984	$276,460
2040	Common Area	401	Roadwork - Rebuild	$31,407	
	Common Area	402	Roadwork - Maintenance	$115,158	
	Utility Area	1903	Grader - Replace	$94,220	
	Utility Area	1907	Sander/Salt Spreader - Replace	$8,375	$249,160
2041	Common Area	401	Roadwork - Rebuild	$32,349	
	Common Area	402	Roadwork - Maintenance	$118,613	
	Common Area	803	Mailboxes - Replace	$30,839	$181,801
2042	Common Area	202	Community Structures - Repaint	$7,219	
	Common Area	401	Roadwork - Rebuild	$33,319	

Year	Subgroup	Comp. Id	Component Name	Projected Cost	Total Per Annum
2042	Common Area	402	Roadwork - Maintenance	$122,171	
	Common Area	406	Culverts/Ditches - Repair	$24,434	
	Utility Area	1905	Blades - Replace	$46,647	$233,791
2043	Common Area	401	Roadwork - Rebuild	$34,319	
	Common Area	402	Roadwork - Maintenance	$125,836	
	Utility Area	1990	Utility Sheds - Repaint/Repair	$10,296	$170,451
2044	Common Area	401	Roadwork - Rebuild	$35,348	
	Common Area	402	Roadwork - Maintenance	$129,611	$164,960
2045	Common Area	401	Roadwork - Rebuild	$36,409	
	Common Area	402	Roadwork - Maintenance	$133,499	
	Common Area	406	Culverts/Ditches - Repair	$26,700	$196,608

Component Evaluation

Comp # 202 Community Structures - Repaint

Subgroup: Common Area

Location: Entrance to community

Quantity: (3) Structures

Life Expectancy: 5 ***Remaining Life:*** 2

Best Cost: $3,000.00
Estimate to repaint

Worst Cost: $3,500.00
Higher estimate

Source of Information: In-House Costs Database

General Notes:

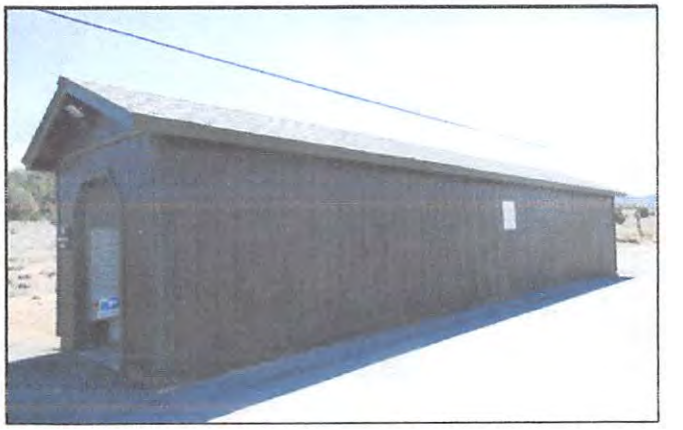
Quantity breakdown:

(2) 45 X 10 ft.
(1) 30 X 10 ft.

(3) Structures

Observations:

Painted surfaces are in good condition. No appearance concerns or paint loss noted at the time of inspection. Remaining life based on current condition.



Component Evaluation

Comp # 401 Roadwork - Rebuild

Subgroup: Common Area

Location: Community roads

Quantity: Approx 1 mile

Life Expectancy: 1 ***Remaining Life:*** 0

Best Cost: $14,500.00
Estimate to rebuild roads

Worst Cost: $15,500.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

Per client, this community rebuilds approximately 1 mile of road every year.

Component Evaluation

Comp # 402 Roadwork - Maintenance

Subgroup: Common Area

Location: Community roads

Quantity: Approx 14 miles

Life Expectancy: 1 ***Remaining Life:*** 0

Best Cost: $52,500.00
Estimate to maintain roads

Worst Cost: $57,500.00
Higher estimate

Source of Information: Per Client

Observations:

Client reports that maintenance will include maintaining all 14 miles of roads and applying dust suppressant/road stabilization materials to approzimately 7 miles of roads (5 miles of major gravel roads and 2 miles of secondary roads as needed).

Component Evaluation

Comp # 406 Culverts/Ditches - Repair

Subgroup: Common Area

Location: Common area

Quantity: See general notes

Life Expectancy: 3 ***Remaining Life:*** 0

Best Cost: $10,000.00
Allowance to make repairs

Worst Cost: $12,000.00
Higher allowance

Source of Information: In-House Costs Database

General Notes:

Quantity breakdown:

(92) Culvers
Extensive Linear ft. of ditches

Observations:

We recommend funding to make similar repairs approximately every three years. Remaining useful life based on current schedule.

Component Evaluation

Comp # 590 Community Structures - Refurbish

Subgroup: Common Area

Location: Entrance to community

Quantity: (3) Structures

Life Expectancy: 15 ***Remaining Life:*** 7

Best Cost: $4,000.00
Estimate to refurbish at 50% of cost

Worst Cost: $5,000.00
Higher estimate

Source of Information: In-House Costs Database

General Notes:

Quantity breakdown:

(2) 45 X 10 ft.
(1) 30 X 10 ft.

(3) Structures

Observations:

No expectation to completely replace the mailbox structures. We recommend funding to replace the roofs and to significantly repair the structures approximately every 15 years. Client reports that these structures are shared with the neighboring community. Because the maintenance of these structures is shared we have funded for this project at 50% of the total cost

Component Evaluation

Comp # 803 Mailboxes - Replace

Subgroup: Common Area

Location: Mailbox structures

Quantity: (28) Clusters

Life Expectancy: 18 ***Remaining Life:*** 8

Best Cost: $13,375.00
$1,450/Cluster; Estimate to replace mailbox clusters 33% of cost

Worst Cost: $15,225.00
$1,650/Cluster; Higher estimate for more installation costs

Source of Information: In-House Costs Database

Observations:

Mailboxes are in good condition. No significant signs of wear or age noted. Client reports that these mailboxes are shared with two other communities. We have therefore funded for 1/3 of the replacement cost.

Component Evaluation

Comp # 1901 Pick-Up Truck - Replace (2000)

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) Chevy Pick-up Truck

Life Expectancy: 10 ***Remaining Life:*** 3

Best Cost: $22,500.00
Estimate to replace

Worst Cost: $27,500.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

No problems noted or reported. Expect a total life of approximately 15 years from this type of vehicle. We have assumed future vehicles will be purchased used and approximately 4 years old. Remaining life based on current age.

Component Evaluation

Comp # 1901 Pick-Up Truck - Replace (2001)

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) Dodge Pick-up truck

Life Expectancy: 10 ***Remaining Life:*** 4

Best Cost: $22,500.00
Estimate to replace

Worst Cost: $27,500.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

Client reports that this vehicle was purchased in 2005. Expect a total life of approximately 15 years from this type of vehicle. We have assumed future vehicles will be purchased used and approximately 4 years old. Remaining life based on current age.

Component Evaluation

Comp # 1901 Pick-Up Truck - Replace (2000)

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) Dodge Pick-up truck

Life Expectancy: 10 ***Remaining Life:*** 2

Best Cost: $22,500.00
Estimate to replace

Worst Cost: $27,500.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

Client reports that this vehicle was purchased in 2005. Expect a total life of approximately 14 years from this type of vehicle. We have assumed future vehicles will be purchased used and approximately 4 years old. Remaining life based on current age and condition.

Component Evaluation

Comp # 1903 Grader - Replace

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) 1979 Grader

Life Expectancy: 20 ***Remaining Life:*** 5

Best Cost: $40,000.00
Estimate to replace

Worst Cost: $50,000.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

Grader is older but in fair condition. Remaining useful life is based on current age and condition, but may realize an extended useful life with proper maintenance.

Component Evaluation

Comp # 1904 Water Truck - Replace

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) Water Truck

Life Expectancy: 20 ***Remaining Life:*** 18

Best Cost: $40,000.00
Estimate to replace

Worst Cost: $50,000.00
Higher estimate

Source of Information: In-House Costs Database

General Notes:

Quantity description:

1979 Kenworth W900
4,000 Gallon

Observations:

Water truck is in good condition. No reports of problems at the time of inspection. Remaining useful life based on current age and condition.

Component Evaluation

Comp # 1905 Blades - Replace

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (3) Blades

Life Expectancy: 12 ***Remaining Life:*** 3

Best Cost: $19,500.00
$6,500/Blade; Estimate to replace

Worst Cost: $22,500.00
$7,500/Blade; Higher estimate

Source of Information: In-House Costs Database

Observations:

These blades were purchased in 2005. expect a useful life of approximately 12 years from these blades. Remaining life based on current age.

Component Evaluation

Comp # 1906 Caterpillar Roller - Replace

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (1) Roller

Life Expectancy: 15 ***Remaining Life:*** 9

Best Cost: $28,000.00
Estimate to replace

Worst Cost: $32,000.00
Higher estimate

Source of Information: In-House Costs Database

General Notes:

Quantity description:

Model number CS553
PIN number 7ADOO466
12 ton CAT vibratory roller w/ 84inch blade

Observations:

Per client, this community purchased this equipment in 2010. We recommend funding to replace this component approximately every 15 years.

Component Evaluation

Comp # 1907 Sander/Salt Spreader - Replace

Subgroup: Utility Area

Location: Utility equipment

Quantity: (1) Sander/Salt Spreader

Life Expectancy: 20 ***Remaining Life:*** 5

Best Cost: $3,800.00
Estimate to replace

Worst Cost: $4,200.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

No problems with this equipment reported. We recommend funding to replace this component approximately every 20 years.

Component Evaluation

Comp # 1990 Utility Sheds - Repaint/Repair

Subgroup: Utility Area

Location: Utility equipment area

Quantity: (2) Sheds

Life Expectancy: 5 ***Remaining Life:*** 3

Best Cost: $4,000.00
Estimate to replace

Worst Cost: $5,000.00
Higher estimate

Source of Information: In-House Costs Database

Observations:

We recommend funding to repaint and repair these utility sheds approximately every 5 years. Remaining useful life based on current age and condition.

Glossary of Commonly Used Words And Phrases

(Provided by the National Reserve Study Standards of the Community Associations Institute)

Cash Flow Method – A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component – Also referred to as an "Asset." Individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) have predictable remaining life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Component Full Funding – When the actual (or projected) cumulative reserve balance for all components is equal to the fully funded balance.

Component Inventory – The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected reserve balance), which is less than the fully funded balance.

Effective Age – The difference between useful life and remaining useful life (UL - RUL).

Financial Analysis – The portion of the Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expenses over time is presented. The financial analysis is one of the two parts of the Reserve Study.

Fully Funded Balance – An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life "used up" of the current repair or replacement cost of a reserve component. This number is calculated for each component, and then summed together for an association total.

FFB = Current Cost * Effective Age / Useful Life

Fund Status – The status of the reserve fund as compared to an established benchmark, such as percent funded.

Funding Goals – Independent of calculation methodology utilized, the following represent the basic categories of funding plan goals:

- Baseline Funding: Establishing a reserve-funding goal of keeping the reserve balance above zero.
- Component Full Funding: Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- Threshold Funding: Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Funding Plan – An association's plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient funds when required
- Stable contributions through the year
- Evenly distributed contributions over the years
- Fiscally responsible

GSF - Gross Square Feet

Life and Valuation Estimates – The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

LF - Linear Feet

Percent Funded – The ratio, at a particular point in time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the ideal fund balance, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the component evaluation, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as "remaining life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the current fiscal year have a "0" remaining useful life.

Replacement Cost – The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components that the association is obligated to maintain. Also known as "reserves," "reserve accounts," or "cash reserves." In this report the reserve balance is based upon information provided and is not audited.

Reserve Study – A budget-planning tool, which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Surplus – An actual (or projected) reserve balance that is greater than the fully funded balance.

Useful Life (UL) – Also known as "life expectancy." The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained in its present application of installation.